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TO RUEHC/SECSTATE WASHDC PRIORITY 2854
INFO RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RHMFIUU/DEPT OF ENERGY WASHINGTON DC
RUEHEE/ARAB LEAGUE COLLECTIVE
RUEHVT/AMEMBASSY VALLETTA PRIORITY 0230
RUEHFR/AMEMBASSY PARIS PRIORITY 0367
RUEHLO/AMEMBASSY LONDON PRIORITY 0669
RUEHRO/AMEMBASSY ROME PRIORITY 0343
RUEHTRO/AMEMBASSY TRIPOLI 3281

UNCLAS TRIPOLI 000983

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DEPT FOR NEA/MAG; COMMERCE FOR MASON; ENERGY FOR ERICKSON

E.O. 12958: N/A
TAGS: ECON EINV EPET ENRG LY
SUBJECT: OXY EXTENDS FOR 25 YEARS IN LIBYA

¶1. Summary: U.S. energy company Occidental Petroleum is set to announce a 25-year extension of its existing contracts in Libya. This deal will include more than $13 billion in capital investment, and solidifies Occidental's position as a major player and top acreage holder in country. End Summary.

¶2. In a bid to solidify control of its extensive acreage holdings in Libya, Occidential Petroleum (Oxy) is set to announce a 25-year extension to its contracts in Libya. Oxy's CEO is expected to travel to Tripoli during the week of November 25 to sign the new deal with the National Oil Corporation (NOC). Under the terms of the extension, which has been under negotiation between Oxy and the NOC since January 2007, more than a dozen contracts set to expire in the 2009-10 timeframe will be extended for 25 years past 2007. Oxy has agreed to pour more than $13 billion into exploration, field development and infrastructure upgrades as part of this arrangement. Oxy will also reportedly gain additional production rights with its current NOC-owned partner Zuetina, as well as Sirte Basin production from another NOC company, the Arabian Gulf Oil Company (AGOCO). The general terms of the new agreement will follow the NOC template used in the most recent Exploration and Production Sharing Agreement (EPSA) rounds, although there will reportedly be some flexibility on the terms of the production share of production that Oxy will receive from future discoveries.

¶3. This deal will solidify Oxy's position as one of the top, if not the top, international oil company (IOCs) in Libya. Oxy resumed operations in Libya in July 2005, nineteen years after departing the country following its conclusion of a "standstill" agreement with Libyan authorities. Thanks in part to its success in the January 2005 EPSA bid round (in which it won acreage in nine different areas), Oxy is the largest net total of oil and gas acreage in Libya, with a total exploration and production acreage in Libya of approximately 130,000 square kilometers. Oxy is both the largest holder of onshore acreage in Libya, with over 30 million acres, and also has whole or partial interest over more than 12 million acres of offshore territory, which it either controls outright or as a 35% shareholder in partnership with Australia's Woodside (55%) and UAE's Liwa (10%). Also, although it subcontracts all of its field operations, Oxy is one of the largest employers of American citizens in Libya, with anywhere from 15 to 20 employees at any given time. Libya is a critical market for Oxy. The company expended more than 70% of its worldwide exploration budget in Libya in 2006. The $13 billion work plan envisioned under this new deal will only increase Libya's

importance to Oxy.

STEVENS